

# **IRS Exempt Organizations Colleges and Universities Compliance Questionnaire – Questions and Answers October 2008**

Exempt Organizations has begun a compliance project of colleges and universities, one of the largest components of the tax-exempt sector. The compliance project begins with a compliance questionnaire to 400 colleges and universities. The information gained from these questionnaires will give us a better understanding of how colleges and universities:

- Report revenues and expenses from taxable trade or business activities on [Form 990-T](#), *Exempt Organization Business Income Tax Return*;
- Classify activities as exempt or taxable activities;
- Calculate and report income or losses on Form 990-T;
- Allocate revenues and expenses between exempt and taxable activities;
- Invest and use endowment funds; and
- Determine types and amounts of executive compensation.

**1. One or more campuses in our university system received the questionnaire. May we respond to the questionnaire using the information for the entire system?**

We asked for campus reporting, but you may respond on a system-wide basis if the following two conditions are met:

- System-wide reporting is consistent with your reporting on Forms 990 (if required) and 990-T (i.e., system-wide reporting is used for both Form 990 (if required) and Form 990-T).
- You must use the same method (campus or system) for all parts of the questionnaire.

Please provide a statement with your response that indicates whether you provided responses to the questionnaire by campus or on a system-wide basis.

If more than one campus in your system received a questionnaire and you are responding on a system-wide basis, only one questionnaire should be completed for the system. The other campuses should return the questionnaire after completing the Part I organization information on page 1, including question 1, by checking box “h” for “other” and identifying the system to which they belong in the space provided.

**2. Question 1 asks us to check a box that best describes our college or university, but more than one description applies to our institution. How do we know which one to select?**

If you are a public institution and received a determination letter indicating that you are exempt from Federal income tax under Internal Revenue Code section 501(c)(3), check box “e” regardless of which other boxes might describe your institution. Otherwise, check the box next to the description that you believe most completely describes your institution. Except as described in [question 1](#), do not check box “h,” “other” if one of the other boxes describes your institution.

- 3. Our institution does not use a calendar tax year. Several parts of the questionnaire refer to the tax year ending in 2006. This will cause us to use information from our Forms 990 and 990-T that have a 2005 in the upper right-hand corner. Is this correct?**

Yes. If your returns for the tax year ending in 2006 used the IRS forms dated 2005, those are the forms you should reference.

- 4. The questionnaire asks for information on faculty and student body size for Fall 2006; however, our tax year ended before Fall 2006. Do we still report our faculty and student size based on Fall 2006?**

Yes.

- 5. Both questions 17 and 60 ask about compensation paid by the organization as well as compensation paid by related organizations in calendar year 2006. In determining which persons to list as the five (5) highest paid employees (question 17) or six (6) highest paid officers, directors, trustees and key employees (question 60) of the organization, do we include any compensation paid by related organizations?**

No. To determine the top five or top six persons to list in questions 17 and 60 respectively use the compensation paid by the organization – do not include compensation paid by related organizations for this purpose. Once you determine which persons to list in questions 17 and 60, report compensation paid such persons by the organization in column (c), and compensation (if any) paid by related organizations in column (d).

- 6. Can we add comments, explanations or attachments to the questionnaire?**

Please answer the questions in the space provided. As the questionnaire indicates, you may attach additional sheets if you need additional space to respond. A question will be considered unanswered if the response space is left blank or merely refers to an attachment (e.g., it states “see attachment” without also responding to the question in the space provided).